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No. 73-187

In the

Supreme Court of the United States

OCTOBER TERM, 1973

KEWANEE OIL COMPANY,

Plaintiff-Petitioner,

vs.

BICRON CORPORATION et al.,

Defendants-Respondents.

MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE OF AMERICAN BAR ASSOCIATION IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI AND BRIEF AMICUS CURIAE

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The American Bar Association respectfully requests, pursuant to Rule 42.1 of this Court, leave to file the following brief urging the grant of a writ of certiorari. The consent of the parties Bicron Corporation et al. to file a brief amicus curiae has been refused.

Your petitioner, the American Bar Association, consists of over 170,000 lawyers including those specializing in patent and trade secret law. The members represent a complete cross-section of clients, located in every part of the United States. Many of these members regularly counsel clients with regard to asserting, and defending against, patents and trade secret rights in all areas of controversy.

Trade secret protection, which applies only against persons who have obtained the secret information unlawfully or as a result of a confidential disclosure, has been widely considered for generations as clearly available under the common law and many state statutes for the period in which the owner is able to maintain secrecy. This protection was believed to extend to subject matter which falls within the statutory classes for which patents are available, without regard to the length of the period in which such trade secrets may have been commercially used. The Court of Appeals of the Sixth Circuit in the case at bar has adopted a contrary view and knowingly placed itself in direct conflict with other Circuits.

The American Bar Association seeks clarification of the law so that its members may properly advise their clients in both the Sixth and other Circuits.

In seeking permission to file a brief amicus curiae, we believe that we shall emphasize aspects of the questions before the Court which are different from those presented by the parties. For example, the issue between the parties arises out of contracts of prior employment. The basic issue of law, however, is much more far-reaching, impinging—for example— upon international licensing, treaties to which the United States is a party, and contracts for the supply of specialized goods of a highly technical nature. Further, the broad question of the relationship between trade secret protection and the patent statutes has ramifications of the greatest import to the public

generally, involving not only contract but tort and criminal law as well.

Respectfully submitted,

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The opinion of the Sixth Circuit Court of Appeals in the case at bar, decided and filed May 10, 1973, held that (Pet. A25):

> "the Trade Secret Laws of the State of Ohio may not afford to the plaintiff in this case protection which the plaintiff could not obtain under the Patent Laws."

In so holding that Court explained that (*ibid.*):

> ". . . our analysis of the relationship between the Patent Laws of the United States and the Trade Secret Laws of the State of Ohio, as applied in this case, forces us to the conclusion that the field of protection afforded to this plaintiff by that Trade

> Secret Law has been preempted by the Patent Laws of the United States. . . ."

The Court said (*ibid.*):

> "We recognize that our holding in this case is in conflict with the previously cited decisions of other Circuits, *Servo Corp. of America* v. *General Electric Co.*, 337 F.2d 716 (4th Cir. 1964), cert. den. 383 U.S. 934 (1966), rehearing denied 384 U.S. 914 (1966); *Dekar Industries, Inc.* v. *Bissett-Berman Corp.*, 434 F.2d 1304 (9th Cir. 1970), cert. den. 402 U.S. 945 (1971); *Water Services, Inc.* v. *Tesco Chemicals, Inc.*, 419 F.2d 163 (5th Cir. 1969); *Painton & Co.* v. *Bourns, Inc.*, 422 F.2d 216 (2nd Cir. 1971) . . .".

There can thus be no question as to the existence of conflict between the Circuits, as the petition for certiorari states. We wish to emphasize, however, the tremendous importance of this question to the business community of the nation and to the lawyers who must advise it, and the consequent need for prompt resolution of the issue by this Court.

The decision below has created a chaotic condition. The enforceability of literally thousands of contracts in the United States, contracts of the type entered into regularly by individuals and corporations throughout the country, is open to question. Indeed, many contracts of international character are equally affected.

The confusion inherent in the opinion of the Court of Appeals is illustrated by its statement:

> "Thus, we feel compelled to conclude that a state trade secret law which protects an inventor in the maintenance of a monopoly of a device which is an appropriate subject for patent under the United States Patent Laws is in conflict with the policies and purposes of those patent laws where the invention has

> been used commercially for more than one year. By such use the inventor has forfeited his right to a patent but by the use of the state trade secret law he is able to exclude competition and prevent disclosure, thus obtaining protection which he could not obtain under the laws of the United States."

What is the meaning of this important holding, the basis of the Sixth Circuit's admitted difference with the Courts of the 2nd, 4th, 5th and 9th Circuits? There was no state law before it which protected "the maintenance of a monopoly". Nor was there any state law before the Court which an inventor could use "to exclude competition" of a legal nature or to obtain "protection which he could not obtain under the laws of the United States". The right granted by the patent statutes permits the patent owner "to exclude others from making, using or selling the invention throughout the United States" for a stated period. (35 U.S.C. 154) This right to exclude extends to those who subsequently independently make the same invention. This broad right to exclude, granted by the patent statutes, is the consideration for the inventors disclosure of his invention to the public. No such broad right to exclude arises out of trade secret law.

The owner of a trade secret has the right to assert such ownership only against those who may surreptitously steal it or use it in breach of confidential relationship. It is well settled that there is no right under trade secret law to exclude any person who independently develops the same "secret", and it is also well settled that more than one person may simultaneously and independently be in possession of the same trade secret. Further, there are no rights whatsoever in a "trade secret" should the knowledge of it become public—for example from an inspection

of the article manufactured in accordance with the secret. (Callmann, *The Law of Unfair Competition and Trade Marks*, 2nd Ed. 1950 Vol. 2, Ch. 14, Sections 51-54; Ellis, Trade Secrets, 1953, Ch. 2; Restatement of Torts (1939) Section 757.)

The obscurity in the law interjected by the Court below saps vitality from much of the commercial law relating to technological exchanges. Within the United States there are hundreds of employment contracts entered into daily having "trade secrets" provisions. Companies regularly subcontract parts to suppliers who are given trade secrets enabling them to make these parts with the understanding that those trade secrets will be held in confidence; international contracts for such supply are common.[1] Of tremendous importance also, and critically affected by the decision below, is technology imported into the United States from foreign countries. The United States is party to the international treaties which protect against "competition contrary to honest practices in industrial or commercial matters" and acts "contrary to commercial good faith."[2] Trade secrets owned by foreign nationals

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[1] Volume 51, Number 3, Survey of Current Business, U.S. Department of Commerce, March 1971.

[2] Article 10 bis of the Paris Convention Act of Lisbon, 1958, 13 U.S.T. 1 reads in part: "(1) The countries of the Union are bound to assure to persons entitled to the benefit of the Union effective protection against unfair competition. (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition." Article 20 of the Pan American Convention, 46 Stat. 2907, reads in its entirety, "Every act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities shall be considered as unfair competition and, therefore, unjust and prohibited."

are transmitted to the United States with the understanding, in many cases, that the secrecy will be maintained. Since the decision of the Court below would permit conduct prohibited in the law of many other countries, it is highly unlikely that foreign nationals would continue to disclose their secret technology to United States companies affected by that decision.

The opinion below not only would overturn long recognized principles of contract and tort law, but also would render even more difficult the enforcement of certain criminal statutes. For example, many states have criminal laws prohibiting the theft of trade secrets.[3] Laws such as those in New York and New Jersey make it a misdemeanor to betray or cause any one to betray the trade secret of a lawful owner. (Callmann, The Law of Unfair Competition and Trade Marks, 2nd Ed. 1950 Vol. 2 pg. 874).

While surely not the intent of the Court below, the effect of its decision is to encourage the theft of trade secrets. What trade secrets should be appropriate for deceitful and criminally inspired takers? For example, if the decision of the Court below is taken literally to mean that there are no protectable rights in trade secrets which are patentable (and which have been used over one year), then would it be a crime under the criminal statutes mentioned to steal trade secrets "obvious" to those skilled in the art (those not patentable) and yet be no crime to steal "non-obvious" trade secrets (those

[3] Arkansas, California, Colorado, Georgia, Illinois, Indiana, Maine, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, and Wisconsin.

which are patentable)? Or, would it be a crime to steal a customer list and yet not be a crime to steal a basic industrial secret of tremendous commercial importance?

The uncertainty in these vitally important fields of law makes it clear that the matter should be settled at this time.[4] The conflict between the courts of appeals is not in doubt. It would be commercially intolerable for the four states of the Sixth Circuit to be governed by a different rule from the rest of the nation. Therefore, Amicus Curiae respectfully urges that the Supreme Court grant the writ of certiorari in this case and thereafter,

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[4] Although the recent decision of this Court in *Goldstein* v. *California*, 93 S.Ct. 2303 (June 18, 1973), appears to some extent to undermine the premise of the decision below, it did not decide the question here presented.

upon a full hearing of the case, instruct the courts and persons throughout the United States as to the proper scope of the trade secret law.

Respectfully submitted,

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